

AMENDED IN SENATE AUGUST 31, 2015

AMENDED IN SENATE JULY 14, 2015

AMENDED IN ASSEMBLY MAY 12, 2015

AMENDED IN ASSEMBLY APRIL 21, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 1163

Introduced by Assembly Member Rodriguez

February 27, 2015

An act to add Section 1399.3 to the Health and Safety Code, and to add Section 769.56 to the Insurance Code, relating to health care coverage.

LEGISLATIVE COUNSEL'S DIGEST

AB 1163, as amended, Rodriguez. Health care service plans and health insurers: ~~solicitors, agents and brokers~~; *solicitors and life agents*: notice of contract changes.

Existing law, the Knox-Keene Health Care Service Plan Act of 1975, provides for the licensure and regulation of health care service plans by the Department of Managed Health Care and makes a willful violation of the act a crime. Existing law also provides for the regulation of health insurers by the Department of Insurance.

This bill would prohibit a material change, as defined, made to the terms and conditions of a contract between a health care service plan and a solicitor, or a health insurer and ~~an agent or broker~~, *a life agent*, from becoming effective until the plan or insurer has delivered to the ~~solicitor, agent, or broker~~ *solicitors or life agent* written or electronic notice of the change or changes to the contract, within a specified time

period. These provisions would not apply if the material change is agreed to by the plan or insurer and the ~~solicitor, agent, or broker,~~ *solicitor or agent* or if the change at issue is required pursuant to state or federal law.

This bill would impose a state-mandated local program by creating a new crime with respect to health care service plans.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.

State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. Section 1399.3 is added to the Health and Safety
2 Code, to read:

3 1399.3. (a) A material change made by a health care service
4 plan, as defined in subdivision (f) of Section 1345, to the terms
5 and conditions of a contract between the health care service plan
6 and a solicitor shall not become effective until the health care
7 service plan has delivered to the solicitor, at least 45 days prior to
8 the effective date of the change, written or electronic notice
9 indicating the change or changes to the contract. For purposes of
10 this section, a “material change” is a change made to a provision
11 of the contract affecting any of the following:

12 (1) Commissions, bonuses, and incentives paid to the solicitor.

13 (2) Right of survivorship.

14 (3) Indemnification of the solicitor by the health care service
15 plan.

16 (4) Errors and omissions ~~in~~ coverage requirements for the
17 solicitor.

18 (b) Subdivision (a) shall not apply under either of the following
19 circumstances:

20 (1) The change to the contract is mutually agreed upon by the
21 health care service plan and the solicitor.

22 (2) The change to the contract is required by state or federal
23 law.

24 SEC. 2. Section 769.56 is added to the Insurance Code, to read:

1 769.56. (a) A material change made by a health insurer, as
2 defined in subdivision (b) of Section 106, to the terms and
3 conditions of a contract between the health insurer and ~~an agent~~
4 ~~or broker~~ *a life agent* shall not become effective until the health
5 insurer has delivered to the ~~agent or broker~~, *life agent*, at least 45
6 days prior to the effective date of the change, written or electronic
7 notice indicating the change or changes to the contract. For
8 purposes of this section, a “material change” is a change made to
9 a provision of the contract affecting any of the following:

10 (1) Commissions, bonuses, and incentives paid to the ~~agent or~~
11 ~~broker~~. *life agent*.

12 (2) Right of survivorship.

13 (3) Indemnification of the ~~agent or broker~~ *life agent* by the health
14 insurer.

15 (4) Errors and omissions coverage requirements for the ~~agent~~
16 ~~or broker~~. *life agent*.

17 (b) Subdivision (a) shall not apply under either of the following
18 circumstances:

19 (1) The change to the contract is mutually agreed upon by the
20 health insurer and the ~~agent or broker~~. *life agent*.

21 (2) The change to the contract is required by state or federal
22 law.

23 SEC. 3. No reimbursement is required by this act pursuant to
24 Section 6 of Article XIII B of the California Constitution because
25 the only costs that may be incurred by a local agency or school
26 district will be incurred because this act creates a new crime or
27 infraction, eliminates a crime or infraction, or changes the penalty
28 for a crime or infraction, within the meaning of Section 17556 of
29 the Government Code, or changes the definition of a crime within
30 the meaning of Section 6 of Article XIII B of the California
31 Constitution.